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RECIPROCITY

OF

TRANSPORTATION FACILITIES

BETWEEN THE

UNITED STATES AND THE DOMINION OF CANADA;

AND THE

CANADIAN PACIFIC RAILWAY.

FROM THE ANNUAL REPORT ON THE INTERNAL COMMERCE OF THE UNITED STATES FOR THE YEAR 1883.

BY JOSEPH NIMMO, JR.,
CHIEF OF THE BUREAU OF STATISTICS.

WASHINGTON:
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LETTER OF TRANSMITTAL.

TREASURY DEPARTMENT,
Document No. 349.
Bureau of Statistics.

TREASURY DEPARTMENT,
BUREAU OF STATISTICS,
February 19, 1884.

SIR:

The following statement in regard to the United States and Canadian transit trade, the reciprocity of transportation facilities which exist between the United States and the Dominion of Canada, and the Canadian Pacific Railway, has been prepared as a part of my annual report on the internal commerce of the United States. That report treats of the commercial and industrial interests of the States and Territories of the Pacific coast, and of transcontinental railroads and their traffic.

The important relations which exist between the railroads of the United States and Canada in the so-called "transit trade," under the provisions of the Treaty of Washington, and the laws and customs of the two countries, have suggested the propriety of presenting also some of the more important facts showing the relationships which the Canadian Pacific Railway will, upon its completion, sustain to the commercial, industrial, and transportation interests of the United States.

JOSEPH NIMMO, JR.,
Chief of Bureau.

Hon. CHAS. J. FOLGER,
Secretary of the Treasury.

THE UNITED STATES AND CANADIAN TRANSIT TRADE

AND THE

RECIPROCITY OF TRANSPORTATION FACILITIES BETWEEN THE UNITED STATES AND CANADA.

Under our laws, treaty stipulations, and usages, the principal railroads of Canada are practically constituent members of the railroad system of the United States.

In order to describe the relations sustained by Canadian railways to the commercial and transportation interests of the United States, it will be necessary to advert to the conditions under which those railroads co-operate and also compete with the railroads of the United States. This will be the more readily understood by reference to a provision of our navigation laws. From the organization of the National Government to the present time, no foreign vessel has been allowed to engage in trade between one American port and another. This has, of course, debarred Canadian vessels from engaging in our internal trade between American ports on the great lakes. But no similar inhibition applies to cars belonging to Canadian Railroad companies. Such companies are allowed the full privilege of transporting goods from one point in the United States to another through Canadian territory in their own cars, and without payment of duty.* Besides, dutiable merchandise imported at seaports of the United States may be transported without payment of duty across the territory of the United States to Canada in cars belonging either to railroad companies of the United States or to those of Canada; and in like manner goods may be shipped from points in Canada across the territory of the United States to a seaport of this country, and thence be exported to a foreign country without payment of duty.

Similar privileges of transit across the territory of Canada by rail are accorded to the citizens of the United States. The conditions applicable to such reciprocal privileges of transit are embodied in regulations designed to prevent violations of the customs revenue laws of the two countries.

This reciprocity of transportation facilities constitutes what is commonly known as "the United States and Canadian transit trade."

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*About one-half the cars of the Grand Trunk Railway are constructed in the United States and one-half in Canada.

The transit trade has long been the subject of statutory provisions of the two countries. Finally it was made the subject of treaty stipulations between the Governments of Great Britain and the United States.*

But, beside the specific privileges of the transit trade, the cars of Canadian railroads are allowed to pass freely with their contents over railroads in the United States, and the cars of railroads of the United States are allowed to pass freely with their contents over railroads in Canada.

The railroad companies of Canada have also, under the provisions of State laws, by lease, and other expedients, extended their control over railroads in the United States, and, on the other hand, railroad compaanies, or persons representing their interests in the United States, have gained control of railroads in Canada. For example, the Grand Trunk Railway has been enabled to secure the control and management of railroads in the States of Vermont, New Hampshire, and Maine at the East, and in the States of Michigan, Indiana, and Illinois at the West, by the leasing of certain lines and by the purchase of the capital stock of others. Thus by means of its own line extending from Chicago to Portland, Me., and connecting lines, it has been enabled to engage freely in the transportation business of this country, and it has also become a strong competitor of the east and west trunk lines of the United States for traffic between the Northwestern States and the New England States of this country.†

The granting of these privileges appears to have been a practical expression of the dominant public sentiment in the United States in favor of extending to railroad projectors and incorporators generally the privilege of extending their lines in such manner as to meet the fullest demands of travel and of transportation. This sentiment has also inspired a spirit of hospitality toward railroad companies of Canada, which has

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* The present treaty stipulations and statutory provisions upon this subject are embraced in articles 29 and 30 of the treaty between the United States and Great Britain, concluded at Washington, May 8, 1871, and in sections 3005 and 3006 of the Revised Statutes of the United States. See also the General Regulations of the Treasury Department made in pursuance of such stipulations and enactments.

† The Grand Trunk Company hold under lease the Atlantic and Saint Lawrence Railroad, which practically extends from the Canadian boundary at a point known as Norton Mills, through a portion of the States of Vermont, New Hampshire, and Maine, to Portland, Maine. The lease was sanctioned by the legislature of the State of Maine, and by the Canadian Parliament. The Grand Trunk Company have no interest in the securities of the Atlantic and Saint Lawrence Company. The length of this line is 165.22 miles. The Grand Trunk Railway Company also lease a small line running from Lewiston Junction to Lewiston and Auburn, the length of which is 5.41 miles.

There is also a short piece of line 1.36 miles in length, running from South Paris to Norway, constructed by local interests and operated by the Grand Trunk Company under an agreement.

The company also controls, by virtue of holding stock (acquired through another Canadian line absorbed in the Grand Trunk), a short line running from the boundary

enabled them to compete freely with the railroad companies of the United States in our internal trade.

It is proper also to add that the laws of Congress and the treaty stipulations applicable to the traffic of railroads controlled by Canadian companies, but situated in part within our borders which have been so liberally construed by the Treasury Department of the United States that such traffic is almost as free of restraint as is that of railroads situated entirely within the territory of this country and operated by corporations chartered by the several States.

On the other hand, a like comity prevails in Canada touching the traffic of lines within its borders which are operated by citizens or corporations of the United States. For example, citizens of the United States closely identified in interest with the interests of the New York Central and Hudson River Railroad, and with those of the Michigan Central Railroad, have acquired the ownership and control of the Canada Southern Railway of Canada, and for years that road has been operated as a part of a continuous line between New York City and Chicago. It would perhaps be difficult to imagine a more nearly perfect reciprocity of transportation facilities between two contiguous countries.

During the period of unrestricted competition between the east and west trunk lines for traffic between the Atlantic seaboard and the west, the Grand Trunk Railway was perhaps the most troublesome of all the competitors, but it commended itself to public favor in this country from the fact that it operated as an effective regulator of freight charges between the New England States and the Western and Northwestern States.

The Grand Trunk Railway has from the beginning been a member of the great pooling association of East and West trunk lines which has its headquarters at New York City, the chief object of which association is to prevent the cutting of rates and wars of rates, through agreements as to the pooling or division of competitive traffic.

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line near Rouse's Point, to the town of Rouse's Point, in the State of New York. The distance is 1.21 mile.

In the West the company leases a piece of line extending from Fort Gratiot (Port Huron) to Detroit Junction, where a connection is made with the Michigan Central road. The length of the line is 59.33 miles. The lease was sanctioned by the State of Michigan, and authorized by the legislation of Canada.

The Grand Trunk Company also controls, by virtue of holding stock, the line known as the Michigan Air-Line, extending from Ridgeway to the city of Jackson, in the State of Michigan, 105.60 miles. The eastern end of it, from Ridgway to Romeo, the company has held for about four years.

The Grand Trunk Company also control the Chicago and Grand Trunk Railway, under arrangements made for the exchange of traffic, and by virtue of certain proprietary rights in the stock of the company. This line extends from the city of Port Huron to the city of Chicago, and is 335 miles in length.

The Great Western Railway Company of Canada, consolidated about fifteen months ago with the Grand Trunk, controlled the Detroit, Grand Haven and Milwaukee Railway, and the Grand Trunk, as the successor of that company, now controls that line. It extends from the city of Detroit to Grand Haven, and its length is 139 miles.

THE CANADIAN PACIFIC RAILWAY.

The Canadian Pacific Railway Company is now the most conspicuous inheritor of the privileges of the transit trade. Its managers and proprietors can also acquire the control of railroads in this country, if they should be inclined to do so, and possess the energy, tact, and financial ability requisite to the accomplishment of that object, just as such control of railroads in the United States has already been acquired by the management of the Grand Trunk Railway. By this means the Canadian Pacific Railway would be enabled to compete sharply with the railroads of the United States in the conduct of our internal commerce.

The main line of this railroad will extend from Montreal in the east, along the northern shore of Lake Superior to Winnipeg, in the Province of Manitoba, and thence westerly to a port in British Columbia on Burrard Inlet, an arm of the Strait of Georgia.

At the close of the season of 1883 the company was operating 1,931 miles of completed road, and it was expected that the main line from Montreal to the Pacific coast would be completed and in operation by the beginning of the year 1886. The total distance from Montreal to the Pacific Ocean by the Canadian Pacific Railway will be about 2,870 miles, of which there was completed, at the close of the season of 1883, from Montreal westward, 470 miles; from Winnipeg in Manitoba eastward, 535 miles; from Winnipeg westward to the summit of the Rocky Mountains, 963 miles; and from Port Moody at the western terminus eastward, 140 miles; making a total of 2,108 miles of completed road, and leaving to be completed 762 miles, consisting of the gap of 425 miles between the lines extending west from Montreal and east from Winnipeg, and of 337 miles between the summit of the Rocky Mountains and the Pacific Ocean. In a communication addressed to this office, under date of November 8, 1883, the secretary of the company says that statements which have been published to the effect that unforeseen difficulties have been encountered at the Pass of the Rocky Mountains are untrue.

The total mileage of the Canadian Pacific Railway will be as follows:

	Miles.
Main line	2,870
Branches	398
Total	3,268

Of this total mileage, 714 miles of road will be constructed by the Canadian Government and transferred to the company free of cost.

It is expected, also, that, by the close of the year 1883, a branch line will be completed from Sudbury, on the eastern division of the main line, to Algoma Mills, a point on the northern shore of Lake Huron; and that during the next season of lake navigation the Canadian Pacific Railway Company will, by means of its own steamers plying between that point and Port Arthur, on Lake Superior, enjoy the advantages of

a through line, under its own control, from Montreal to the summit of the Rocky Mountains.

The Government of the Dominion of Canada appears to have been even more liberal in promoting the construction of the Canadian Pacific Railway than was the Government of the United States in promoting the construction of the Union Pacific and the Central Pacific Railroads of this country.

The Dominion Government has granted to the Canadian Pacific Railroad, in aid of its construction, a subsidy of $25,000,000 in money as a loan; and has donated to it 25,000,000 acres of land, embracing only lands fit for settlement; also the right of way, station grounds, dock privileges, and water frontage, in so far as the same are vested in the Government. Besides this, the Canadian Government is to construct and transfer to the company, free of cost, 714 miles of railway, the value of which is estimated at about $30,000,000. The company is also authorized to build a line of telegraph along the entire railway, which under its charter it is empowered to use for commercial as well as railway purposes. The privilege is extended to the company of importing free of duty steel rails, and other material used in the construction of its road and telegraph line. It is also empowered to build branch lines, with right of way and other privileges granted by the Government.

The company is besides protected against the construction of competing lines for a term of twenty years from the date of the contract.

The stations, buildings, equipment, and the capital stock of the company are to be free from taxation by the Dominion Government, or by any Province established after the date of the charter, for all time, and the land grant within the Northwest Territories is also declared to be free from taxation for twenty years unless sold in the mean time.

The capital stock of the company is $100,000,000, upon which the Dominion Government has guaranteed a minimum dividend of 3 per cent. per annum for ten years, the company having placed with the Government a sum which at 4 per cent. interest will be equal to the dividend on the stock at 3 per cent. for ten years.

It would appear from these extraordinary concessions and subventions that the people of Canada regard the construction of the Canadian Pacific Railway as a work of great commercial and political importance.

In view of the facts just stated, and the additional fact that the Canadian Government has already appropiated the sum of $45,115,649* in the construction of canals connecting the upper lakes with tide water on the Saint Lawrence River, it appears safe to say that the enterprise of the Dominion in the establishment of the facilities for internal transportation is perhaps unequaled by that of any other country in modern itmes.

It is expected that the proceeds of the capital stock of the Canadian

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* This fact was furnished to this office by Mr. Fred. L. Jones, of Ottawa.

Pacific Railway, with the subventions granted by the Government, will be sufficient to build and equip the entire line.

The construction of the Canadian Pacific Railway mainly through an uninhabited wilderness, marks it as one of the heroic railroad enterprises of the present age.

It is stated by the president of the road, in an official memorandum, that the entire line is being constructed with a view to efficient and economical operation, steel rails of the best quality, weighing 56 pounds per yard and upwards, being used throughout, and that all the important structures of the road are of a substantial character.

Abundant supplies of coal have already been discovered along the Rocky Mountain division of the road, a very important consideration, in so far as relates to the cost of transportation as well as to the interests of the settler.

THE RELATION OF THE CANADIAN PACIFIC RAILWAY TO THE COMMERCIAL AND TRANSPORTATION INTERESTS OF THE UNITED STATES.

By means of its connections with navigation on Lake Huron and on Lake Superior, and its connections with railroads in the New England States, in the State of New York, and in Minnesota, close traffic relations now exist between the Canadian Pacific and railroads in the United States as well as with American navigation interests on the lakes.

A similar intermingling of transportation interests may be expected to spring up on the Pacific coast.

It is easy also to perceive the possible future relationships which may and probably will spring up between the Canadian Pacific Railway and the transportation interests of the United States under the privileges of the "transit trade," and of the ability of railroad companies of each country to enter into combination with railroads in the other, and also to acquire the control of lines within the territory of the other.

As the Grand Trunk Railway has become one of the competing railroads for traffic between Chicago and the New England States, upon equal terms with the great east and west trunk lines of the United States, so may the Canadian Pacific Railway be expected to become a competitor of the Pacific railroads of the United States for a part of the transcontinental traffic of this country. The Pacific railroads of this country will also become competitors of the Canadian Pacific Railway for the transcontinental traffic of the Dominion of Canada.

But this competition will undoubtedly be mutually beneficial to the commercial and industrial interests of the two countries. Besides, it will introduce elements of competition, both of transportation and of trade, the effect of which will be to regulate rail rates. And as the Grand Trunk Railway has joined with the great east and west trunk lines of the United States in an association, the object of which is to prevent the cutting of rates and wars of rates, so may we expect that

the Canadian Pacific Railway will, upon its completion, unite with the transcontinental railroads of the United States in such an association as that which was entered into between those railroads at San Francisco in September, 1883, for the pooling or division of traffic.

It is said that the population of the Province of Manitoba and of the Northwest Territories of the Dominion of Canada increased from about 12,000 in 1871 to about 250,000 in 1880, that the population of the city of Winnipeg, the capital of Manitoba, increased from 350 in 1871 to 20,000 in 1881, and that its population is at the present time about 30,000.

Manitoba and Assiniboia have proved to be highly productive wheat Provinces. It is stated upon official authority that the wheat product of those Provinces averages about 25 bushels to the acre.

The Canadian Pacific Railway will undoubtedly be the instrument of a rapid development of the resources of a vast and productive territory extending along our northern border line from the great lakes to the Pacific coast. This fact, in connection with the well-established fact that the line of policy pursued by the management of every railroad must from the force of circumstances be controlled mainly by the demands of commerce, affords abundant reason to believe that the various sections and branches of that railroad will, in many important ways, tend to promote the commercial, industrial, and transportative interests of the United States.

Minneapolis, the principal city in the United States for the manufacture of flour, will probably furnish a market for a large proportion of the grain grown in the Provinces of Manitoba and Assiniboia, and as the population of those Provinces increases there will undoubtedly spring up an important reciprocal trade between them and the commercial cities of our Western and Northwestern States.

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